GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3325
ANSWERED ON:04.08.2017
Regulation of Capital Raising by Companies
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Will the Minister of FINANCE be pleased to state:

(a) whether a number of companies have received capital through private placements and stake sales;

(b) if so, the details of such transactions over the last three years and the current year;

(c) whether there is any regulation of such capital raising and ensuring prudent valuations of companies to protect investors and the public and if so, the details thereof;

(d) whether such transactions have taken place at high valuations; and

(e) if so, the details thereof and if not, the reasons and implications thereof?

Answer

The Minister of State for Finance (Shri Arjun Ram Meghwal)

(a) & (b): The provisions of Section 42 of the Companies Act, 2013 dealing with Private Placement are applicable to all the companies. Section 62 of the Companies Act, 2013 provide for the requirements which are applicable when a company issues further shares. Section 62(1)(c) and rules made thereunder read with Section 42 of the Companies Act, 2013 require the valuation of shares in case the shares are offered by a company to persons other than existing member or employee of the company.
Details of funds raised by listed entities through private placement i.e., Preferential Issues, Qualified Institutions Placement (QIP) and Institutional Placement Programme (IPP) during the last three years and the current yearare placed at Annexure-I.
Details of funds raised by listed entities through stake sale / Offer for Sale (OFS) through public issue route and stock exchange mechanism during the last three years and the current yearare placed at Annexure-II.

(c): Companies raise capital in terms of the provisions of Companies Act, 2013. Listed entities or an entity seeking listing after making a public issue are required to follow the regulatory framework under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (ICDR Regulations) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations). The said regulations provide for a disclosure based regime.
Pricing requirements for private placements by listed entities in the form of preferential issues, QIP and IPP and in respect of OFS made through the public issue route are prescribed in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (ICDR Regulations).
The requirement under Section 62(1)(c) and Section 42 of the Companies Act, 2013 read with relevant rules provides for making adequate disclosures and valuation requirement. These are aimed at protecting the interest of investors and the public.

(d) & (e): SEBI has conveyed that there is no information available with them that would suggest that such transactions have taken place at high valuations.
In the case of public issues, the issuer is free to determine the price of specified securities in consultation with the lead merchant banker or through the book building process. In the case of private placements made in the form of preferential issues and QIPs, the regulations specify the minimum allotment price and the issuers may make allotments above such minimum price.

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